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TAGS: ECON EFIN ETRD PGOV AJ

SUBJECT: PRESIDENT HIGHLIGHTS ECONOMIC DEVELOPMENT OF THE REGIONS AND IMPORTANT ROLE FOR ENTREPRENEURS

Classified By: DCM DON LU PER REASONS 1.4 (B, D)

¶1. (SBU) At a February 11 conference on the State Program for the Economic Development of the Regions, Azerbaijani President Ilham Aliyev outlined a long list of successes and accomplishments, stating that the government's program has been 98 percent fulfilled. The President highlighted the following areas of progress: GDP per capita increased to USD 4,360; hard currency reserves reached USD 7.3 billion and will double in 2008; state budget revenues increased tenfold, and the consolidated state budget for 2008 stands at USD 12 billion; 650,000 new jobs have been created, including 480,000 permanent jobs; new electricity facilities for 700 MW have been set up, and will reach 3,000 MW in the next two years; by volume of per capita investment Azerbaijan ranks first in the CIS; and poverty dropped to 16 per cent from 49 as a result of all these measures.

¶2. (SBU) President Aliyev promised that the GOAJ will continuously encourage development of the private sector through political support and more economic reforms and state programs. He said that the private businesses need to adopt international business practices, properly pay taxes due to the state budget and be transparent. Aliyev aid that development of modern infrastructure would be the primary focus for the second half of the program from 2009 until ¶2011.

¶3. (SBU) President Aliyev highlighted Azerbaijan's development of the non-oil sector, including the modernization of the country's domestic power sector. Aliyev said that 80 percent of Azerbaijan is now connected to natural gas and the goal of the government is to provide gas supplies to the entire country. According to Aliyev, in 2008, the GOAJ will invest heavily in social infrastructure projects. In particular, the GOAJ plans to spend on education and construction of modern medical institutions.

¶4. (SBU) President Aliyev emphasized that he wanted international companies to invest in Azerbaijan and he pledged to create more attractive business environment for them. He said that "support for the development of entrepreneurship will continue," adding that he would like to reconfirm his political support to all entrepreneurs. He continued by saying that he will "instruct all executive authorities, their heads, and all officials in Baku and in the fields to provide maximum support to entrepreneurs, not

to cause problems and not to interfere with their businesses." Calling entrepreneurship Azerbaijan's "future," he said that without developed entrepreneurship, Azerbaijan's balanced development cannot be ensured.

¶5. (SBU) Aliyev noted that the number of "negative cases" (corruption) has decreased, but problems still exist. He said that the financial system should be transparent and that businesses should realize that if they are willing to integrate with the world economy, they will need to adopt international practices, adding that the companies should be audited internationally and upgrade their accounting systems.

The President reiterated that the private sector needed to ensure that its accounting, financial systems and operations were transparent. "With more transparency they will work better and defend their rights more confidently," he said.

¶6. (SBU) The President highlighted the new "one-stop-shop" business registration system at the Ministry of Taxes, noting that it only take three days to register a business. President Aliyev said that the "one-stop-shop" "prevents corruption" and reduces costs. He added that similar measures will be taken to further facilitate business and attract foreign investments.

¶7. (C) COMMENT: As in previous presidential speeches on the government's efforts to support the socio-economic development of the rural areas, much of the President's speech touched on the economic successes without providing extensive details, especially regarding the number of jobs created - a major 2003 presidential campaign promise. An independent newspaper called the President's event "a ceremonial propaganda show" and called the government's calculations "dubious." Representatives from the business community, including the owners of local television channel ANS, told the Ambassador that Aliyev's support for

entrepreneurs was "noteworthy and positive." Members of the international financial institution community told the Ambassador that they expect changes in the government after the elections, adding that the President will remove some ministers. END COMMENT.

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